

Big Brothers Big Sisters of Massachusetts Bay, Inc.

Financial Statements

Years Ended June 30, 2014 and 2013

BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Big Brothers Big Sisters of Massachusetts Bay, Inc.
Boston, Massachusetts

We have audited the accompanying financial statements of Big Brothers Big Sisters of Massachusetts Bay, Inc. (a non-profit organization) which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers Big Sisters of Massachusetts Bay, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kirkland Albrecht & Fredrickson, LLC

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Report on Summarized Comparative Information

We have previously audited the Organization's 2013 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 23, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kirkland Albrecht & Fredrickson, LLC

Kirkland Albrecht & Fredrickson, LLC
Braintree, Massachusetts

October 3, 2014

BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.

Statements of Financial Position
June 30, 2014 and 2013

<u>ASSETS</u>		<u>2014</u>	<u>2013</u>
CURRENT ASSETS:			
Cash and cash equivalents	\$	3,286,153	\$ 2,878,320
Current portion of contributions receivable		1,986,716	755,043
Grants receivable		70,000	86,458
Investments		1,078,711	1,079,187
Prepaid expenses and other current assets		246,197	175,201
		<hr/>	<hr/>
Total current assets		6,667,777	4,974,209
		<hr/>	<hr/>
PROPERTY AND EQUIPMENT, NET		208,746	211,480
		<hr/>	<hr/>
OTHER ASSETS:			
Contributions receivable, net of current portion		2,935,976	5,011,041
Investments		3,945,796	3,452,575
		<hr/>	<hr/>
Total other assets		6,881,772	8,463,616
		<hr/>	<hr/>
Total assets	\$	13,758,295	\$ 13,649,305
		<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND NET ASSETS</u>			
		<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES:			
Current portion of long term debt	\$	3,466	\$ 3,249
Current portion of capital lease obligation		7,789	1,381
Accounts payable		100,065	117,741
Accrued expenses		458,066	258,823
Deferred revenue		68,450	-
Deferred lease incentive		29,566	-
		<hr/>	<hr/>
Total current liabilities		667,402	381,194
LONG-TERM LIABILITIES:			
Long term debt, net of current portion		36,181	39,756
Capital lease obligation, net of current portion		21,759	2,596
		<hr/>	<hr/>
Total liabilities		725,342	423,546
		<hr/>	<hr/>
NET ASSETS:			
Unrestricted:			
Operations		3,837,025	3,294,155
Board designated		1,164,355	991,365
		<hr/>	<hr/>
Total unrestricted net assets		5,001,380	4,285,520
Temporarily restricted		6,283,812	7,207,478
Permanently restricted		1,747,761	1,732,761
		<hr/>	<hr/>
Total net assets		13,032,953	13,225,759
		<hr/>	<hr/>
Total liabilities and net assets	\$	13,758,295	\$ 13,649,305
		<hr/> <hr/>	<hr/> <hr/>

See notes to financial statements.

BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.

Statements of Activities

Year Ended June 30, 2014, with Comparative Totals for the Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Comparative Total
REVENUES AND OTHER SUPPORT:					
Special events	\$ 3,421,877	\$ 94,281	\$ -	\$ 3,516,158	\$ 3,866,951
Less cost of special events	(1,385,548)	-	-	(1,385,548)	(1,260,968)
Net revenues from special events	2,036,329	94,281	-	2,130,610	2,605,983
Individuals	943,776	588,616	15,000	1,547,392	3,692,785
Corporations, foundations, government and United Way	693,746	94,100	-	787,846	916,247
BBBS Foundation and other revenue	423,866	-	-	423,866	172,448
	4,097,717	776,997	15,000	4,889,714	7,387,463
Net assets released from restrictions	2,020,587	(2,020,587)	-	-	-
Endowment appropriation	90,000	-	-	90,000	52,000
Total revenues and other support	6,208,304	(1,243,590)	15,000	4,979,714	7,439,463
EXPENSES:					
Program services	4,289,454	-	-	4,289,454	3,603,936
General and administrative	380,142	-	-	380,142	381,834
Fundraising and development	995,838	-	-	995,838	1,041,554
Total expenses	5,665,434	-	-	5,665,434	5,027,324
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	542,870	(1,243,590)	15,000	(685,720)	2,412,139
NON-OPERATING ACTIVITY:					
Income from investments, net of fees	16,129	41,607	-	57,736	63,452
Net realized and unrealized gains on investments	156,861	368,317	-	525,178	203,628
Endowment appropriation	-	(90,000)	-	(90,000)	(52,000)
Total non-operating activity	172,990	319,924	-	492,914	215,080
CHANGE IN NET ASSETS	715,860	(923,666)	15,000	(192,806)	2,627,219
NET ASSETS, BEGINNING OF YEAR	4,285,520	7,207,478	1,732,761	13,225,759	10,598,540
NET ASSETS, END OF YEAR	\$ 5,001,380	\$ 6,283,812	\$ 1,747,761	\$ 13,032,953	\$ 13,225,759

See notes to financial statements.

BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.

Statements of Functional Expenses

Year Ended June 30, 2014, with Comparative Totals for the Year Ended June 30, 2013

	Program Services	General and Administrative	Fundraising and Development	2014 Total	2013 Comparative Totals
OPERATING EXPENSES:					
Payroll	\$ 2,479,540	\$ 214,287	\$ 735,761	\$ 3,429,588	\$ 3,091,401
Benefits	513,817	45,469	115,879	675,165	654,153
Professional fees	375,968	25,581	13,246	414,795	189,070
Occupancy	302,731	10,802	34,388	347,921	335,993
Advertising and promotion	94,465	-	-	94,465	71,290
In-kind expense	88,226	-	-	88,226	141,656
Insurance	70,284	2,809	9,136	82,229	76,698
Activity fee	48,686	-	-	48,686	23,106
Depreciation and amortization	39,311	1,600	5,206	46,117	44,314
Bad debt	-	45,958	-	45,958	-
Business meetings	28,231	757	9,790	38,778	29,707
Travel	26,639	306	10,668	37,613	36,793
Telephone	32,504	1,062	3,455	37,021	38,269
Equipment rental and maintenance	22,843	760	13,211	36,814	40,796
Printing	19,433	163	16,323	35,919	44,345
Postage	17,489	257	15,761	33,507	29,330
Volunteer stewardship	23,615	2,746	6,119	32,480	25,795
BBBSA dues	30,347	-	-	30,347	21,989
Office supplies	23,349	688	3,202	27,239	31,742
Charge card fees	-	24,755	120	24,875	21,486
Membership/research	19,403	234	2,581	22,218	40,125
Scholarships and camperships	20,151	-	-	20,151	28,122
Conferences/training	6,879	1,794	621	9,294	7,409
Interest	5,543	114	371	6,028	3,735
Total expenses	\$ 4,289,454	\$ 380,142	\$ 995,838	\$ 5,665,434	\$ 5,027,324

See notes to financial statements.

BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.

Statements of Cash Flows

Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (192,806)	\$ 2,627,219
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	46,117	44,314
Unrealized and realized gains on investments	(525,178)	(203,628)
Change in assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	843,392	(1,669,747)
Grants receivable	16,458	96,042
Prepaid expenses and other current assets	(70,996)	(1,777)
Increase (decrease) in:		
Accounts payable	(17,676)	25,373
Accrued expenses	199,243	10,889
Deferred revenue	68,450	(39,050)
Deferred lease incentive	29,566	-
Net cash provided by operating activities	<u>396,570</u>	<u>889,635</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(13,366)	(20,469)
Proceeds from sale of investments	4,257,096	2,358,301
Purchase of investments	(4,224,663)	(2,321,677)
Net cash provided by investing activities	<u>19,067</u>	<u>16,155</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	(3,358)	(4,263)
Principal payments on capital lease obligations	(4,446)	-
Net cash used by financing activities	<u>(7,804)</u>	<u>(4,263)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	407,833	901,527
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,878,320</u>	<u>1,976,793</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,286,153</u>	<u>\$ 2,878,320</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:		
Cash paid during the year for:		
Interest	<u>\$ 2,742</u>	<u>\$ 3,735</u>
Assets acquired under capital lease	<u>\$ 30,017</u>	<u>\$ -</u>

See notes to financial statements.

BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Years Ended June 30, 2014 and 2013

1. NATURE OF ACTIVITIES

Big Brothers Big Sisters of Massachusetts Bay, Inc. (“the Association”) is a Massachusetts nonprofit organization, incorporated on February 24, 1949. The mission of the Association is to promote the healthy development of children through the nurturing of one-to-one friendships with caring responsible adults supported by a trained professional staff.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates – The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting – The financial statements of the Association have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation – The Association follows the Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) Subtopic *Presentation of Financial Statements for not-for-profit entities*. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. The Association may designate portions of its unrestricted net assets as board designated for various purposes.

Temporarily restricted net assets – Net assets that are subject to donor-imposed stipulations that will be met either by actions of the Association and/or the passage of time.

Permanently restricted net assets – Net assets that are subject to donor-imposed stipulations should be maintained permanently by the Association. Generally, the donors of these assets permit the Association to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Years Ended June 30, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Comparative Totals – The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association’s financial statements for the year ended June 30, 2013 from which the summarized information was derived.

Cash and Cash Equivalents – The Association considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash and cash equivalents. The Association places its cash and temporary investments with high credit quality institutions. At times, such investments may be in excess of FDIC insurance limitations. The Association has not experienced any losses in such accounts.

Contributions Receivable – Contributions receivable include an allowance for doubtful accounts based on management’s evaluation of outstanding balances at the end of the year. An allowance is made for uncollectible pledges based on management’s judgment, past collection experience and other relevant factors. The allowance for doubtful accounts is \$27,391 and \$29,905 for the years ended June 30, 2014 and 2013, respectively.

Property and Equipment – The components of property and equipment are recorded at cost or estimated fair market value at donation date if acquired by donation. The cost or carrying value of the assets is depreciated or amortized using the straight-line method over the estimated useful lives as follows:

	<u>Years</u>
Buildings, improvements and fixtures	3-39 years
Office equipment	3-7 years
Leasehold improvements	5-10 years

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Net realized and unrealized gains and losses are included in the change in net assets. Furthermore, dividends, interest, and realized and unrealized gains on long-term investments are excluded from operating activities.

The Association follows the portion of Subtopic 205 of the FASB ASC that relates to “Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Enhanced Disclosures for All Endowment Funds”. This FASB ASC Subtopic provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA. UPMIFA is a model act approved by the Uniform Law Commission. Effective June 30, 2009, the Commonwealth of Massachusetts adopted UPMIFA in its General Laws chapter 180A. Among UPMIFA’s most significant changes is the elimination of the concept of historic dollar value threshold, the amount below which an organization cannot spend from a fund, in favor of a more robust set of guidelines about what constitutes prudent spending. The FASB ASC Subtopic serves as a guideline for states to use in enacting legislation. This guidance also improves disclosures about an organization’s endowment funds (both donor-restricted endowment funds and board-designated endowment funds).

BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Years Ended June 30, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Return Objectives and Risk Parameters – The Association’s investment objective is to achieve a total return sufficient to provide resources needed for the ongoing service mission and operational needs of the Association and to achieve real growth in capital net of distributions, expenses and inflation. This objective has been established in conjunction with a comprehensive review of the current and projected financial requirements of the Association and is based on a ten-year investment horizon, so that interim fluctuations should be viewed with appropriate perspective.

The asset composition established by the Board of Directors represents a long-term perspective. As such, rapid unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside of the policy range. These divergences should be of a short-term nature. The current asset allocation will be monitored and reviewed at least quarterly by the Finance and Audit Committee relative to the established minimum and maximum range for each asset class.

To ensure divergence from the target policy is within allocation ranges rebalancing of assets may be necessary.

Spending Policy and How the Investment Objectives Relate to the Spending Policy – The Association has a policy of appropriating for spending at a rate that must be sustainable for the long term and balance the dual needs of supporting current operational needs and preserving the value of the investable assets and its income distribution in perpetuity. The Association’s policy is based on the assumption that the spending policy over the long term will not exceed 5% of the average of the fund’s previous 12 quarter ending market value, net of fees. The Board of Directors approves the draw rate on an annual basis. The approved appropriation from invested permanently restricted net assets was \$90,000 and \$52,000 for the years ended June 30, 2014 and 2013, respectively.

In establishing its spending policy, the Association considered the long-term expected return on its endowment. Accordingly, the Association’s spending policies are conservative and, as such, support the long-term objectives of preserving the purchasing power of the endowment in perpetuity thereby sustaining its ability to support future programs and to provide additional real growth through new gifts and investment return.

Level 1 – Quoted prices that are available in active markets for identical assets or liabilities.

Level 2 – Inputs other than level 1 inputs that are either directly or indirectly observable. Level 2 also includes practical expedient investments with notice periods for redemption of 90 days or less.

Level 3 – Unobservable inputs based on the Association’s estimates and the assumptions, which reflect those that market participants would use. Level 3 also includes practical expedient investments with notice periods for redemption of more than 90 days.

BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Years Ended June 30, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Spending Policy and How the Investment Objectives Relate to the Spending Policy – The following is a description of the valuation methodologies used for asset investments measured at fair value, as well as the general classification pursuant to the valuation hierarchy. There have been no changes in the methodologies used at June 30, 2014 and 2013.

- **Money Market Funds and Mutual Funds** – The fair value of money market funds, fixed income mutual funds, and public equity mutual funds are valued based upon quoted prices from active markets. These securities are categorized in Level 1 as they are actively traded and no valuation adjustments have been applied.
- **Limited Partnerships** – The fair value of limited partnership investments is determined using the net asset value as determined by the investment manager. These investments are categorized in Level 2.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of the certain financial instruments could result in a different fair value measurement at the reporting date.

Contributions – Contributions, including unconditional promises to give, are recognized as revenues in the period the pledge is received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset category.

Contributions of land, buildings and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset category. Contributions of cash or other assets to be used to acquire long-lived assets are reported as revenues of the temporarily restricted net asset category; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Contributions of services are reported as revenues and expenses of the unrestricted net asset category at the fair value of the services received only if the services create or enhance a non-financial asset or would typically need to be purchased by the Association if they had not been provided by individuals with those skills. Contributions of goods and services to be used in program operations are reported as revenues and expenses of the unrestricted net asset category at the time the goods or services are received. There is no compensation for services rendered by members of the Board of Directors. The majority of contributed services and goods consist of tickets to sporting and other events, and legal services.

BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Years Ended June 30, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Deferred Revenue – Deferred revenue represents special event revenue received by the Association prior to the fiscal year end for special events occurring in the next fiscal year.

Functional Allocation of Expenses – The costs of the various activities of the Association have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the activities.

Tax Status – The Association is tax exempt under Section 501(c)(3) of the Internal Revenue Code and accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Association accounts for uncertain tax positions in accordance with FASB ASC Topic *Income Taxes*. The Topic prescribes a recognition threshold and measurement process for financial statement recognition of uncertain tax positions taken or expected to be taken in a tax return. The Topic also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. At June 30, 2014, management believes that the Association has no material uncertain tax positions.

The Association files informational tax returns in the U.S. federal and Massachusetts state jurisdictions. Management believes the Association is no longer subject to U.S. federal and state examinations by tax authorities for years before fiscal year 2011.

Reclassification – Certain accounts previously reported in the 2013 financial statements have been reclassified to facilitate comparability with the current year presentation. These reclassifications had no effect on the 2013 change in net assets as previously reported.

Subsequent Events – The Association has evaluated all events subsequent to the statement of financial position date of June 30, 2014, through the date which the financial statements were available to be issued, October 3, 2014, and has determined that there are no subsequent events that require disclosure under FASB ASC Topic *Subsequent Events*.

3. CONTRIBUTIONS RECEIVABLE

The balance of contributions receivable at June 30, 2014 and 2013 are as follows:

	2014	2013
Amounts due:		
Less than one year	\$ 2,014,107	\$ 784,948
One to five years	3,275,800	5,320,833
Less:		
Allowance for uncollectible contributions	27,391	29,905
Unamortized discounts (discount rate of 3%)	339,824	309,792
	<u>\$ 4,922,692</u>	<u>\$ 5,766,084</u>

BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Years Ended June 30, 2014 and 2013

4. INVESTMENTS

The following is a summary of investments at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Short term-money market and government funds (Level 1)	\$ 451,573	\$ 1,454,431
Fixed income – mutual funds (Level 1)	1,876,023	1,491,517
Public equity – mutual funds (Level 1)	2,448,323	1,544,623
Limited Partnerships (Level 2)	<u>248,588</u>	<u>41,191</u>
	<u>\$ 5,024,507</u>	<u>\$ 4,531,762</u>

The following summarizes market value and cost:

	<u>2014</u>	<u>2013</u>
Market value	<u>\$ 5,024,507</u>	<u>\$ 4,531,762</u>
Cost	<u>\$ 4,718,191</u>	<u>\$ 4,290,182</u>

The composition of the investment return as reported in statement of activities for the years ended June 30, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Income from long-term investments consisting of dividends, interest and capital gains	\$ 82,910	\$ 80,154
Investment fees	(25,174)	(16,702)
Net realized and unrealized gains (losses) on investments	<u>525,178</u>	<u>203,628</u>
	<u>\$ 582,914</u>	<u>\$ 267,080</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2014</u>	<u>2013</u>
Land, building and fixtures	\$ 159,501	\$ 159,501
Office equipment	282,234	267,310
Leasehold improvements	<u>145,442</u>	<u>145,442</u>
	587,177	572,253
Less accumulated depreciation	<u>378,431</u>	<u>360,773</u>
	<u>\$ 208,746</u>	<u>\$ 211,480</u>

BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Years Ended June 30, 2014 and 2013

6. LINE OF CREDIT

The Association has an unsecured demand line of credit renewable annually with a financial institution for \$500,000. Interest is payable monthly at the bank's base lending rate (4% rate at June 30, 2014 and 2013). There were no outstanding borrowings at June 30, 2014 and 2013.

7. LONG-TERM DEBT

	<u>2014</u>	<u>2013</u>
Mortgage note payable in monthly principal and interest payments of \$495 through July 2010, secured by land and building. Commencing August 2010 and continuing through July 2023 the note bears interest at the bank's prime rate plus 1% (5% at June 30, 2014 and 2013).	\$ 39,647	\$ 43,005
Less current portion	<u>3,466</u>	<u>3,249</u>
Long-term debt	<u>\$ 36,181</u>	<u>\$ 39,756</u>

Maturities of long-term debt are as follows:

2015	\$ 3,466
2016	3,699
2017	3,946
2018	4,211
2019	4,493
Thereafter	<u>19,832</u>
	<u>\$ 39,647</u>

8. TEMPORARILY RESTRICTED NET ASSETS

	<u>2014</u>	<u>2013</u>
Time restricted	\$ 5,152,675	\$ 6,336,962
Educational advocacy, scholarship and activities	407,931	366,724
Appreciation on permanently restricted funds	621,006	361,304
Grants restricted for future program use	62,817	101,875
Camperships	25,344	25,344
Building and technology	<u>14,039</u>	<u>15,269</u>
	<u>\$ 6,283,812</u>	<u>\$ 7,207,478</u>

BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Years Ended June 30, 2014 and 2013

9. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of endowment fund investments to be held indefinitely, a portion of the income from which is expendable for general support.

10. ENDOWMENTS

The Association's endowment includes funds permanently restricted by donors as well as unrestricted funds designated by the Board of Directors to function as endowments. As required by Generally Accepted Accounting Principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The income generated by the donor-permanently restricted endowment funds is available for the Association's general operations and is recorded as temporary restricted until appropriated for expenditures.

Endowment Net Asset Composition by Type of Fund as of June 30, 2014

	Unrestricted Board- Designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 621,006	\$ 1,747,761	\$ 2,368,767
Board-designated endowment funds	<u>1,164,355</u>	<u>-</u>	<u>-</u>	<u>1,164,355</u>
Total funds	<u>\$ 1,164,355</u>	<u>\$ 621,006</u>	<u>\$ 1,747,761</u>	<u>\$ 3,533,122</u>

Changes in Endowment Net Assets for the Year Ended June 30, 2014

	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
Balance, June 30, 2013	<u>\$ 991,365</u>	<u>\$ 361,304</u>	<u>\$ 1,732,761</u>	<u>\$ 3,085,430</u>
Investments return:				
Income	23,385	47,273	-	70,658
Net appreciation	156,861	317,097	-	473,958
Investment management fees	<u>(7,256)</u>	<u>(14,668)</u>	<u>-</u>	<u>(21,924)</u>
Total investment return	<u>172,990</u>	<u>349,702</u>	<u>-</u>	<u>522,692</u>
Contributions	-	-	15,000	15,000
Appropriated for expenditure	<u>-</u>	<u>(90,000)</u>	<u>-</u>	<u>(90,000)</u>
Balance, June 30, 2014	<u>\$ 1,164,355</u>	<u>\$ 621,006</u>	<u>\$ 1,747,761</u>	<u>\$ 3,533,122</u>

BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Years Ended June 30, 2014 and 2013

10. ENDOWMENTS...continuedEndowment Net Asset Composition by Type of Fund as of June 30, 2013

	Unrestricted Board- Designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 361,304	\$ 1,732,761	\$ 2,094,065
Board-designated endowment funds	<u>991,365</u>	<u>-</u>	<u>-</u>	<u>991,365</u>
Total funds	<u>\$ 991,365</u>	<u>\$ 361,304</u>	<u>\$ 1,732,761</u>	<u>\$ 3,085,430</u>

Changes in Endowment Net Assets for the Year Ended June 30, 2013

	Unrestricted Board- Designated	Temporarily Restricted	Permanently Restricted	Total
Balance, June 30, 2012	<u>\$ 915,867</u>	<u>\$ 249,870</u>	<u>\$ 1,732,761</u>	<u>\$ 2,898,498</u>
Investments return:				
Income	22,960	49,703	-	72,663
Net appreciation	56,908	123,191	-	180,099
Investment management fees	<u>(4,370)</u>	<u>(9,460)</u>	<u>-</u>	<u>(13,830)</u>
Total investment return	<u>75,498</u>	<u>163,434</u>	<u>-</u>	<u>238,932</u>
Contributions	-	-	-	-
Appropriated for expenditure	<u>-</u>	<u>(52,000)</u>	<u>-</u>	<u>(52,000)</u>
Balance, June 30, 2013	<u>\$ 991,365</u>	<u>\$ 361,304</u>	<u>\$ 1,732,761</u>	<u>\$ 3,085,430</u>

11. BENEFIT PLANS

The Association has a defined contribution money purchase retirement plan for eligible employees. The Plan provides for bi-monthly contributions up to 5% of eligible compensation. The Association did not make any employer contributions to the plan in 2014 and 2013.

The Association also maintains a 403(b) retirement plan for employees. Eligible employees may elect to make bi-monthly contributions to the plan. The Association made matching contributions of \$55,619 and \$28,756 to the plan in 2014 and 2013, respectively.

BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Years Ended June 30, 2014 and 2013

12. RELATED PARTY

The Association is related by common board members to the Big Brother Big Sister Foundation, Inc. The Foundation contributed \$330,094 and \$24,000 to the Association during the years ended June 30, 2014 and 2013, respectively.

The Association is related by affiliation to Big Brothers Big Sisters of America (“BBBSA”). The Association paid dues and fees of \$30,347 and \$21,989 to BBBSA during the years ended June 30, 2014 and 2013, respectively. Amounts prepaid to BBBSA at June 30, 2014 and 2013 were \$15,759 and \$14,588, respectively, and included in prepaid expenses and other current assets in the accompanying Statement of Financial Position. There were no amounts prepaid at June 30, 2013.

13. CAPITAL LEASE OBLIGATIONS

The Organization leases equipment under capital lease obligations expiring on various dates through November 2017. Future minimum lease obligations for the years ending June 30 are as follows:

2015	\$ 12,913
2016	12,068
2017	10,885
2018	<u>4,359</u>
	40,225
Less – amounts representing interest	<u>10,677</u>
	29,548
Present value of future minimum lease payments	7,789
Less – current portion	<u>21,759</u>
Long-term portion	<u>\$ 21,759</u>

14. COMMITMENT

During June 2014, the Association amended their lease agreement for the Boston office which expires in December 2019. The amendment included an amount for a construction allowance for certain leasehold improvements, in addition to a lease credit, as defined in the agreement. The Organization, in the accompanying Statement of Financial Position, has recognized this amount as deferred lease incentive and will amortize this amount as occupancy expense over the lease term. The leasehold improvement was not placed in service until subsequent to year end. At June 30, 2014 and 2013, the deferred lease incentive was \$29,566. Occupancy expense including rent, common area maintenance and utility charges was \$340,076 and \$326,093 for the years ended June 30, 2014 and 2013, respectively. The annual lease agreement is subject to real estate tax escalation and other operating expense escalations.

BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.

Notes to Financial Statements

Years Ended June 30, 2014 and 2013

14. COMMITMENT...continued

Future minimum lease payments are as follows:

2015	\$	482,524
2016		500,072
2017		510,577
2018		522,134
2019		522,134
Thereafter		<u>267,109</u>
	\$	<u>2,804,550</u>